






DCUSA Change Report		At what stage is this document in the process?
<h1>DCP 275</h1> <h2>DCP Title: Code Governance Review 3 & SLC 22</h2> <p>Date raised: 10 June 2016</p> <p>Status of Change: Urgent</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
Purpose of Change Proposal: DCP 275 seeks to implement the distribution licence changes arising from Ofgem's Code Governance Review Phase 3 Final Proposals impacting DCUSA governance.		
	This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 275 'Code Governance Review 3 & SLC 22'.	
	Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by 11 November 2016	
	The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.	
	If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3008.	
	Parties Impacted: All DCUSA Parties	
	Impacted Clauses: Clause 3 (DCUSA Objectives), Clause 10.2.5, Clause 11.9A and 14.9.	

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Timetable		 07875 112 757
The timetable for the progression of the CP is as follows:		
Change Proposal timetable		
Activity	Date	
Initial Assessment Report Approved by Panel	15 June 2016	
Change Report Approved by Panel	19 October 2016	
Change Report issued for Voting	21 October 2016	
Party Voting Closes	11 November 2016	
Change Declaration Issued to Parties	15 November 2016	
Implementation	23 February 2017	

Any questions?

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1 Executive Summary

What

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.

Why

- 1.2 DCP 275 was raised as a Part 1 Matter by Eastern Power Networks to implement the distribution licence changes arising from Ofgem's Code Governance Review Phase 3 Final Proposals impacting DCUSA governance (Attachment 3). The CP has been raised to ensure that the changes to licence condition SLC 22 and SLC 22A are implemented in the DCUSA.

How

- 1.3 It is proposed that the changes to licence condition SCL 22 and SLC 22A be implemented in the DCUSA. The Panel recommended that the legal text for these licence condition changes be developed by the DCUSA Legal advisors to ensure that the proposed changes are made in the DCUSA and the impacted Clauses.

2 Governance

Justification Part 2 Matter

- 2.1 Although DCP 275 was raised as a Part 1 matter, Ofgem advised that it should be progressed as a Part 2 matter as it is updating changes to licence condition SLC 22 and SLC 22A within the DCUSA.
- 2.2 The DCUSA Panel agreed with Ofgem recommendation to progress the CP as a Part 2 matter as the change does not have any material impact on Parties.
- 2.3 DCP 275 has been classed as a Part 2 Matter therefore, Authority consent is not required

3 Why Change?

Background of DCP 275

- 3.1 As part of Ofgem's CGR3 Final Proposals, Ofgem consulted on licence drafting to introduce their proposed amendments to the Significant Code Review process. Consultation respondents

welcomed the proposed clarifications and updates, thus Ofgem has made minor amendments to the licence drafting to correct typographical and grammatical errors. In addition, Ofgem has published an updated guidance document in respect of the Significant Code Review process.

- 3.2 On 10 May 2016 Ofgem published its decision to modify the Electricity Distribution Licence ([SLC 22 and SCL 22A-DCUSA](#)) to implement Code Governance Review (Phase 3) Final Proposals. Ofgem has outlined the expectation for licensees to use its best endeavours to ensure procedures are in place to facilitate compliance with the requirements under the conditions.
- 3.3 The revisions to the Supply Licence Conditions are provided as Attachments 4 and 5.

4 Solution

DCP 275 Assessment

- 4.1 DCP 275 was raised by Eastern Power Networks to implement the distribution licence changes arising from Ofgem's Code Governance Review Phase 3 Final Proposals impacting DCUSA governance. The CP has been raised to ensure that the changes to licence condition SLC 22 and SLC 22A are implemented in the DCUSA.
- 4.2 The modified licence condition changes reflect changes to the Significant Code Review (SCR) process and the charging methodology objectives:
- Introduce the ability for Ofgem to raise SCR modification proposals (at the end of the SCR) which follows standard industry code processes;
 - Introduce provisions for Ofgem-led end-to-end SCR process where the standard industry code process would not apply. Ofgem would lead consultation and engagement for code modification development; and
 - Ofgem has introduced a sixth charging methodology objective: SLC 22A.10A. *The sixth Applicable Charging Methodology Objective is that compliance with the Relevant Charging Methodology promotes efficiency in its own implementation and administration.*
- 4.3 The DCUSA Panel discussed Ofgem's CGR3 Final Proposals and noted that DCUSA already includes an SCR mechanism however proposed changes to the Electricity Distribution Licence will impact on current code governance. DCP 275 has been raised to ensure the licence condition changes reflect changes to the Significant Code Review process.

- 4.4 The Panel recommended that the legal text for these licence condition changes be developed by the DCUSA Legal advisors to ensure that the proposed changes are made in the DCUSA and the impacted Clauses. The DCUSA legal text has been updated with the proposed changes to ensure that Parties remain compliant with the code.

5 Relevant Objectives

Evaluation Against the DCUSA Objectives

- 5.1 The proposer considers that the following DCUSA Objectives are better facilitated by DCP 275:

- **General Objective Three - The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences**

General Objective three is better facilitated by DCP 275 as the proposed changes to SLC 22 and SLC 22A mean DCUSA must be modified in order for the Distributors to remain compliant.

6 Impacts & Other Considerations

Consumer Impacts

- 6.1 The Proposer did not identify any material impact on consumers from the implementation of this CP.

Environmental Impacts

- 6.2 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 275 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Engagement with the Authority

- 6.3 Ofgem has been fully engaged throughout the development of DCP 275 providing feedback on the proposed legal text and Change Report.

7 Implementation

- 7.1 Subject to Party approval, the DCP 275 change will be implemented on 23 February 2017.
- 7.2 DCP 275 is classified as a Part 2 matter and therefore Authority determination is not required.

8 Legal Text

8.1 The proposed legal text has been developed by the DCUSA legal advisor and acts as Attachment 1.

In respect of the DCUSA Objectives, Clause 3 is amended to define the concepts by reference to the Distribution Licences, but the objectives are nevertheless repeated in Clause 3 for ease of reference. The key provisions of the text that are relevant to the SCR process (covering both the provisions that we propose to amend and those that do not need to be amended) are outlined in general terms below:

1. The new definition of “Authority Change Proposal” captures SCR CPs. The definition expressly includes SCR changes raised by Ofgem at the end of an SCR process (SLC 22.9E(bb)) and back-stop directions (SLC 22.9ED).
2. The definition of “Authority-Led Change Proposal” identifies a sub-category where the normal process of industry consultation and engagement does not need to be followed. This is for the new approach to SCR coming out of Ofgem’s decision. This option might be chosen by Ofgem at the outset, or following a back-stop direction.
3. The amended definition of Significant Code Review Phase expressly refers to recommencement of SCR following a back-stop direction, and cross-references the Distribution Licences to identify the ways in which an SCR Phase may now end.
4. Clause 9.4.6 ensures that Authority Change Proposals are always subject to Ofgem approval (rather than self-governance).
5. Clause 10.2.5 allows the Authority (or a distribution licensee at the direction of the Authority) to raise an Authority Change Proposal.
6. Clause 10.14A provides that the Panel may not refuse an Authority Change Proposal.
7. Clauses 10.22 and 10.23 deal with Change Proposals raised during a SCR Phase, including rejection by the Panel of CPs that relate to the SCR.
8. Clause 11.9A allows Ofgem to impose/change the assessment and implementation timetable for Authority Change Proposals.
9. Clause 11.9A also provides that the Definition Procedure is not to apply in respect of Authority-Led Change Proposals – this means that the normal Working Group process of consideration and consultation will not be followed in the case of Authority-Led Change Proposals.
10. Clause 11.29 prevents a distribution licensee withdrawing an Authority Change Proposal without the Authority’s consent.
11. Clause 11.29A provides for withdrawal of proposals in the event of a back-stop direction, and prevents parties taking over and saving those proposals (as would ordinarily be permitted in the case of withdraw).
12. The normal voting process applies under Clause 12.

13. Clause 14.9 allows Ofgem to impose/change the implementation timetable for Authority Change Proposals.

9 Recommendations

Panel's Recommendation

- 9.1 The Panel approved this Change Report on **19 October 2016**. The Panel considered that a sufficient level of analysis had been carried out to enable Parties to understand the impact of the proposed amendment and to vote on DCP 275.

Requested Next Steps

- 9.2 The DCUSA Panel recommends that this CP:
- Be issued to Parties for Voting and DCUSA Parties should consider whether they wish to submit views regarding this Change Proposal.

Attachments

- Attachment 1 –DCP 275 Draft Legal Texta
- Attachment 2 – DCP 275 Voting Form
- Attachment 3 – DCP 275 Change Proposal Form
- Attachment 4 – Electricity Distribution Licence SLC 22
- Attachment 5 – Electricity Distribution Licence SLC 22A